Defense Logistics Agency

BSM business systems modernization

delivering 21st century logistics

Presented to
CSR Conference
August 26, 2004

Agenda

- Background
- Concept Demonstration Statistics
- Release Schedule and Roll Out Plan
- Key Changes for our Customer
- Summary

Business Systems Modernization is …

- Major transformation effort--massive change for our workforce, creation of an enterprise
- Incorporating Best Practices via Commercial-off-the-Shelf (COTS) based tools
  - SAP = ERP platform
  - Niche bolt-on products (e.g., Demand Planning = Advance Planning and Scheduling COTS; Procurement = GOTS)
- BSM replaces 30-year old Materiel Management Systems and our processes embedded in those systems
- The core of DLA's Enterprise Architecture
- Partnered with Accenture as Systems Integrator

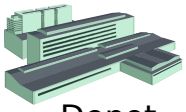
Major Reengineering Effort … from functionally stove--piped segments to cross-cutting Enterprise-wide processes

DLA Target Architecture

Customer Processes

Operations

Readiness



Depot Maintenance

Base/Post Operations

Enterprise Integrated Data Environment

Standards-based Interoperability

Web Portal

Security Authentication

Corporate Information Services,

Trans tion, Information Exchange, Referenc Data

Customer Relationship

manugistics

ply Chain Managem

SAP

DPACS/

eProcurement

Financial Management

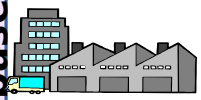
Distribution Planning & Mgmt

Enterprise Integrated Data Environment

Standards-based Interoperability

Supplier/ Partner Processes

Transportation



Manufacturers

Distributors

Financial Management

Version (062304)

BSM Business Strategy

Business Strategy	Enabling Functionality
Customer Focus	•Demand by Customer •Collaboration •Time-phased Inventory Plan •Available to Promise •Online Account Visibility •Streamlined Item Introduction
Manage Suppliers	•Supplier Performance and Management •Capable to Promise •Web-based Procurement •Pay on Receipt
Financial Stewardship	•CFO Compliance •Financials Integrated with Business Transactions •Change in Inventory Valuation Methodology
Process Orientation	•Single Instance •One Enterprise

BSM Processes

Business Outcome

- **Reduced Inventory**
- **Reduced Cycle Times**
- **Improved Customer Service**
- **FFMIA Compliance**
- **Uniform Policy, Processes, Procedures and Metrics**
- **Finance**
- **Order Fulfillment**
- **Planning**
- **Procurement**
- **Tech Quality**

BSM Concept Demo

- Release 1: Concept Demo July 02
  - Carrier And Sub Surface Items
  - LM-2500 Engine
  - Terminal Lugs And Insulation Sleeving
  - Medical/Surgical Fleet Prime Vendor
  - Garrison Feeding (PV Southeast Region)
  - Helicopter Systems (UH-1, H-3, H-46, And H-53)
- Release 1.1: Battle Dress Uniforms Nov 03
- Release 1.1: Subsistence Nov 03-Jun 04
- Release 1.2: Procurement Retrofit: May 04
- Release 2.0: Concept Demo Retrofit: Aug 04

Concept Demo will include:
240K items
$2.7 Billion
1227 users

BSM Impact on DLA Business

Order Fulfillment

- Nearly 550,000 Customer Orders Processed
- Over $ 1.7Billion in sales
- Over 19,000 depot receipts posted

Procurement

- Over 300,000 Purchasing Requests Processed in SAP
- Nearly 250,000 Purchases Awarded

Planning

- Beginning to Work Performance Based Agreements (PBAs) & Collaborative Planning

Finance

- Over 2.3 Million Customer Billing Documents Issued
- Over 34,000 Vendor Payments Made
- Over $ 563 Million Paid to Vendors

Inventory Value being managed within BSM: over $348 million

Material Release Order processing time improvement -- Receipt of requisition to release of MRO: 45-60 minutes in BSM vice 12 hours in legacy system

Projected annualized sales approaching $3 Billion

Why BSM Schedule Was Revised

Release 1 Stabilization—12+ months vice projected 3-4
- **Delayed focus on subsequent development**

DLA Learning COTS S/W, Accenture learning DLA business

Course correction on Procurement solution from PD2/NGPD to Legacy

Lessons learned from Releases 1, 1.1, 1.2 dictated revised strategy
- **Separate functionality releases from user/item rollout increments**
- **Use larger number of smaller rollout segments**
- **Eliminate overlapping development activities**

Increasing understanding of COTS capabilities & functional requirements led to more accurate development estimates

'New Normal' support requirements dictated low/no risk approach

Why Revised Schedule is Solid

Stabilization of Release 1.1 and 1.2 order of magnitude better than Release 1

Experiences with releases 2.0 and 2.1 will further grow our stabilization skills

DLA's unknowns on ERP development dramatically smaller
- **Unknown unknowns near zero, known unknowns treated conservatively**

Accenture's unknowns regarding DLA's business dramatically smaller

Interim legacy procurement solution successfully deployed

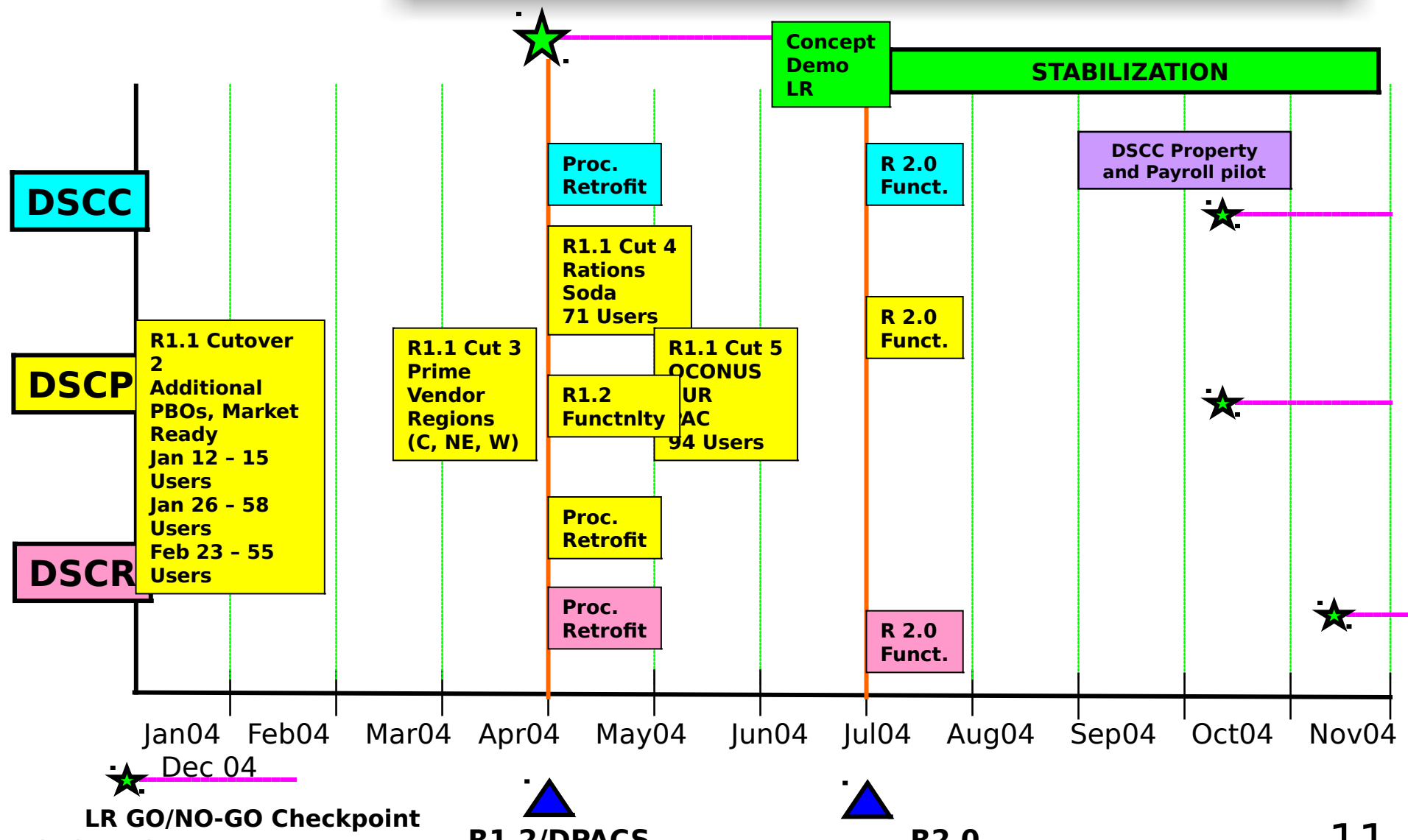
Lessons learned from Releases 1, 1.1, 1.2 being diligently applied
- **Improved Program oversight, management and execution structure and discipline**
- **Better Business process re-engineering management**

Moving Forward . . . BSM Releases and Roll out Plans

- Approved Releases
  - Release 2.0 Scheduled for Deployment in Aug 04
    - 88% of Full Operational Capability functionality
  - Release 2.1 Scheduled for Deployment in Dec 04-Jun 05
    - Suffix/Status Codes
    - Collaboration
    - Stratification
  - Release 2.2 Scheduled for Deployment in Dec 05
    - Balanced of Approved Blueprint

- **Roll Out Begins in Jan 05 and is completed in FY 06**

BSM Pre-Rollout Schedule



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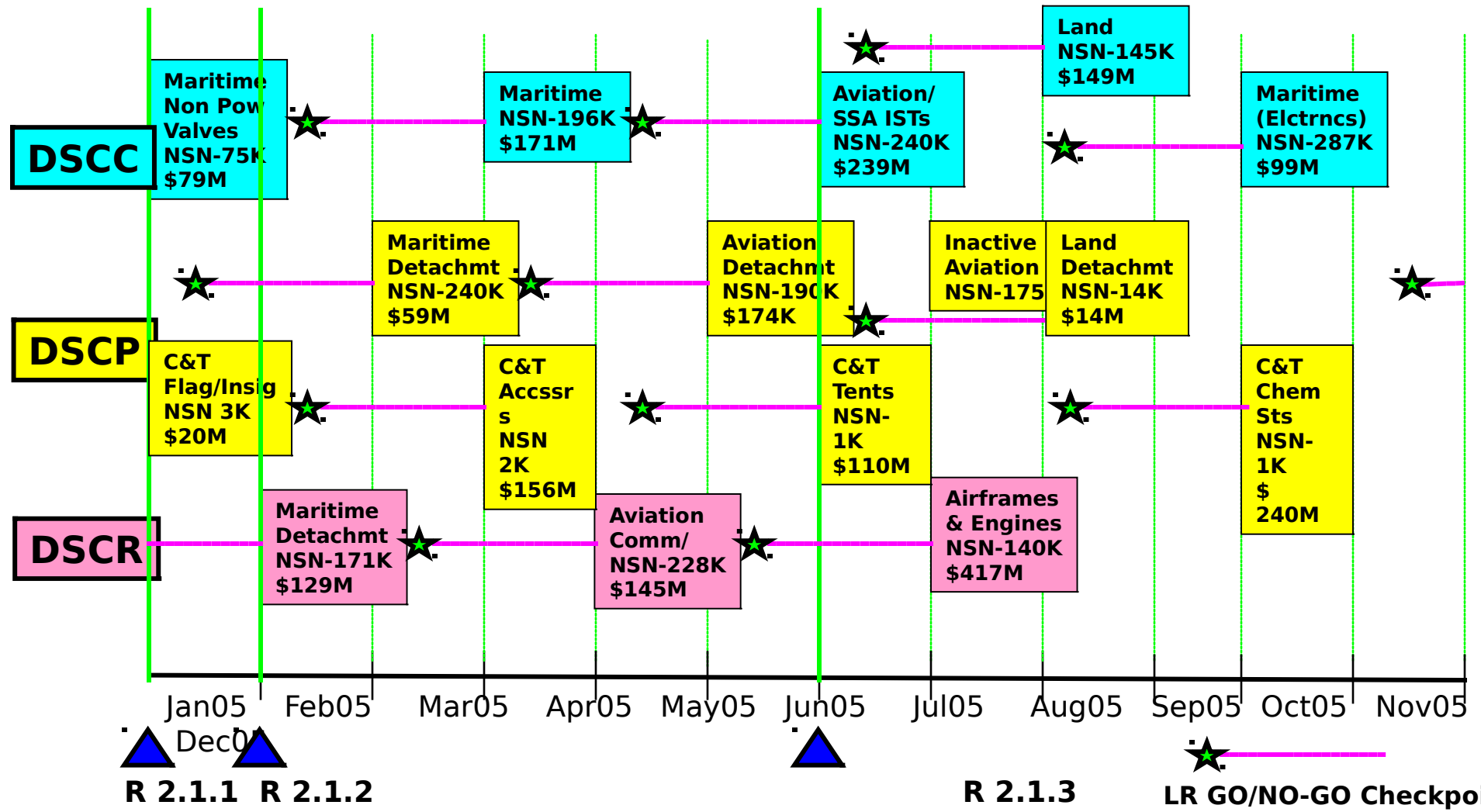
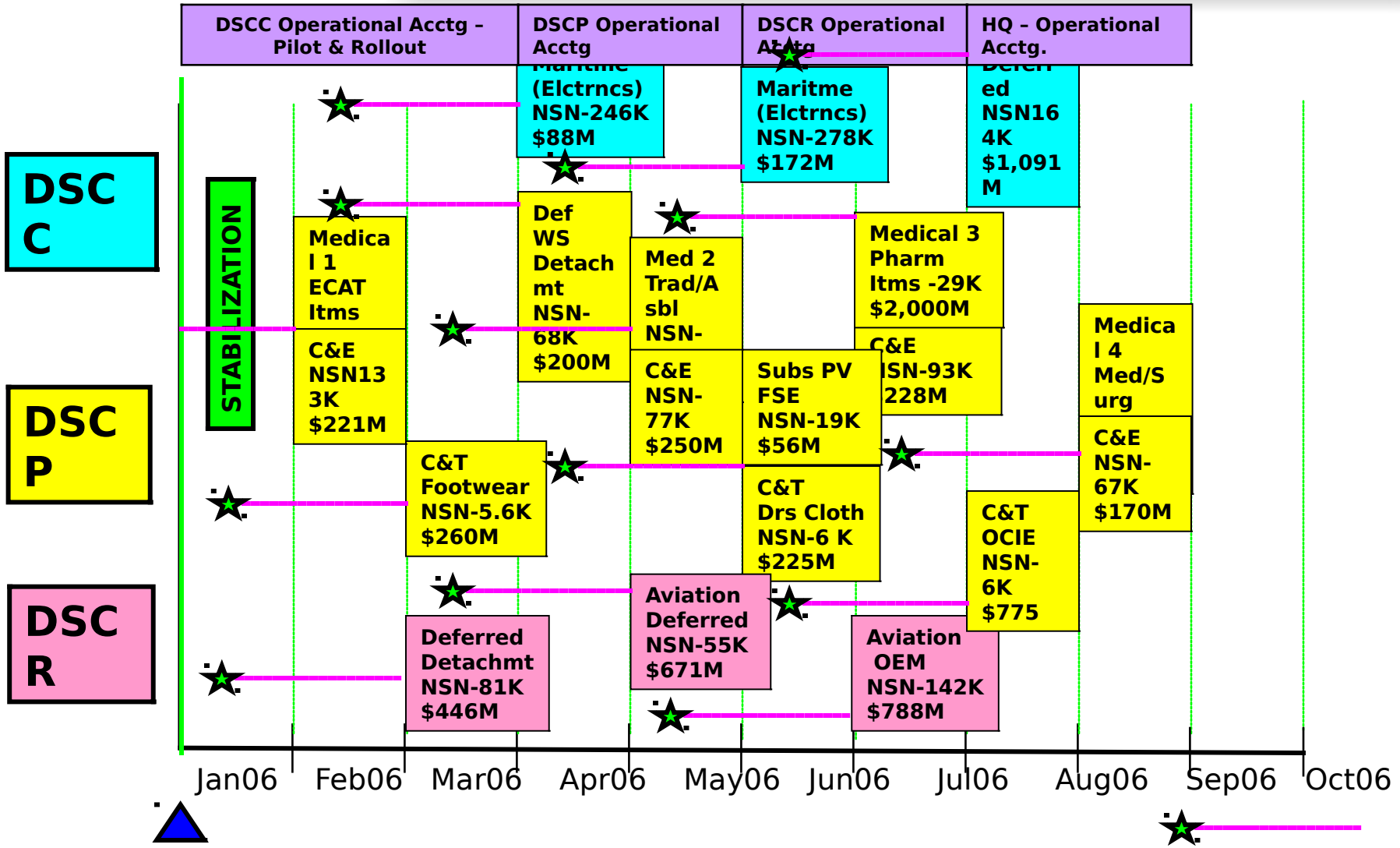
Rollout Through Dec 05

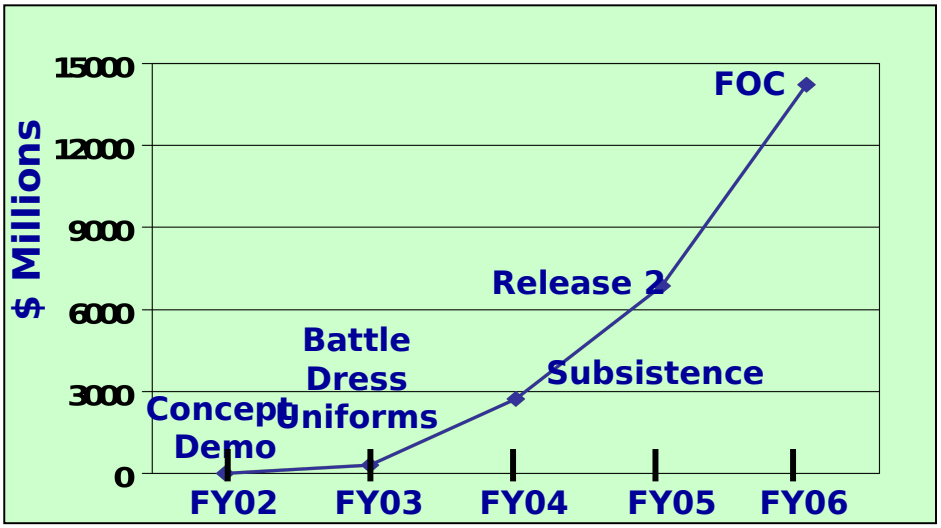


Rollout From Jan 06 – Sep 06

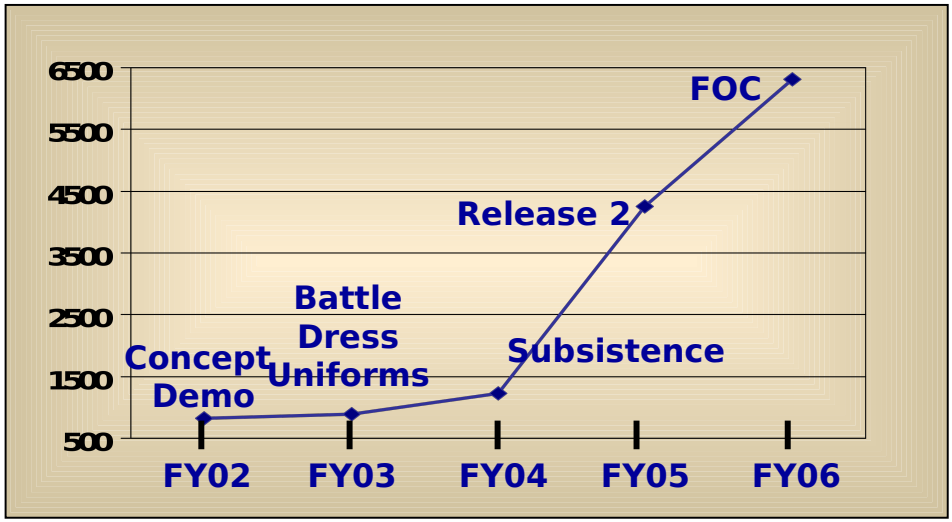


BSM Business Volume Projection

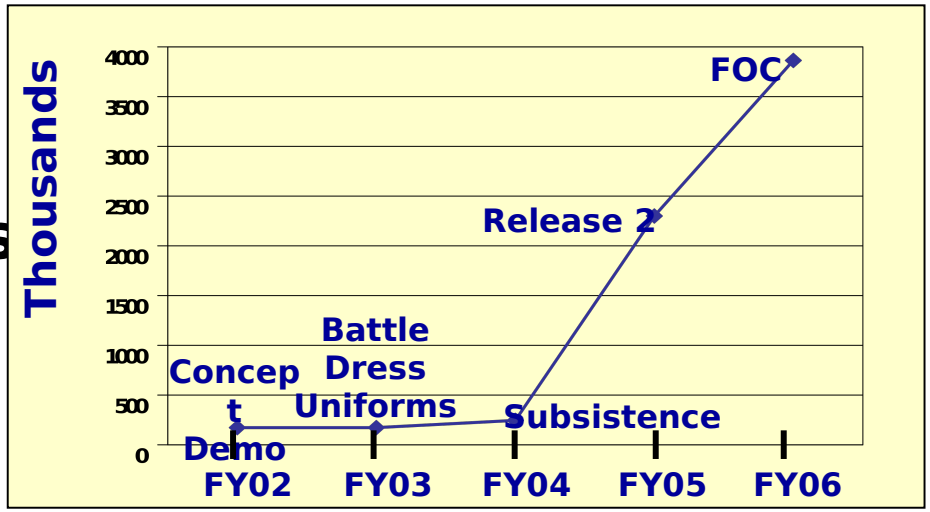
Revenue



Users



Items



Key Changes for Customers

- Source of Supply changes to SMS
- Organization Points of Contacts will now be
  - CRM Cells (Customer Account Specialists)
  - Virtual Call Center
- Forecasting. . .Transition From SPR Process To New Collaboration Process (JAN 05)
- Customer Information Exchanges
  - Via EMALL
  - Via Demand Data Exchanges
- Key Performance Indicators Have been Revised
  - Stock Availability, Logistics Response Time, Order Fill Rates, Demand Plan Accuracy

Customer Collaboration: Launch Customer List

Service	MAJ COM	Requisitioner Name	Description	DLA Supply Chain	Forecasting to DLA?	DSD Dependency?	Concept Demo Collab.	Customer Sr. Mgmt. Support
Army	AMC	Corpus Christi Army Depot	Army Depot	Aviation	Y	Y	N	?
Army	AMC	Tobyhanna Army Depot	Army Depot	Land	Y	N	N	?
Army	AMC	Subsistence Customer TBD	TBD	Subsistence	Y	N	N	?
Air Force	AFMC	Ogden Air Logistics	Ogden ALC	Aviation	Y	Y	Y	Y
Air Force	AFMC	Oklahoma Air Logistics	Oklahoma City ALC	Aviation	Y	Y	N	Y
Air Force	AFMC	Warner Robins Air Logistics	Warner Robins ALC	Aviation	Y	Y	N	Y
USN/USMC	NAVAIR	NADEP Cherry Point	NADEP Cherry Point	Aviation	Y	Y	Y	Y
USN/USMC	NAVAIR	NADEP Jacksonville	NADEP Jacksonville	Aviation	Y	Y	N	Y
Navy	NAVAIR	NADEP North Island	NADEP North Island	Aviation	Y	Y	Y	Y
Navy	NAVSEA	TRF King's Bay - Atlantic	Trident submarines	Maritime	Y	N	Y	?
Navy	NAVSEA	Norfolk Shipyard	Industrial Maritime	Maritime	Y	N	Y	?
Navy	NAVSEA	PACNORWEST - Pacific	Trident submarines	Maritime	Y	N	Y	?

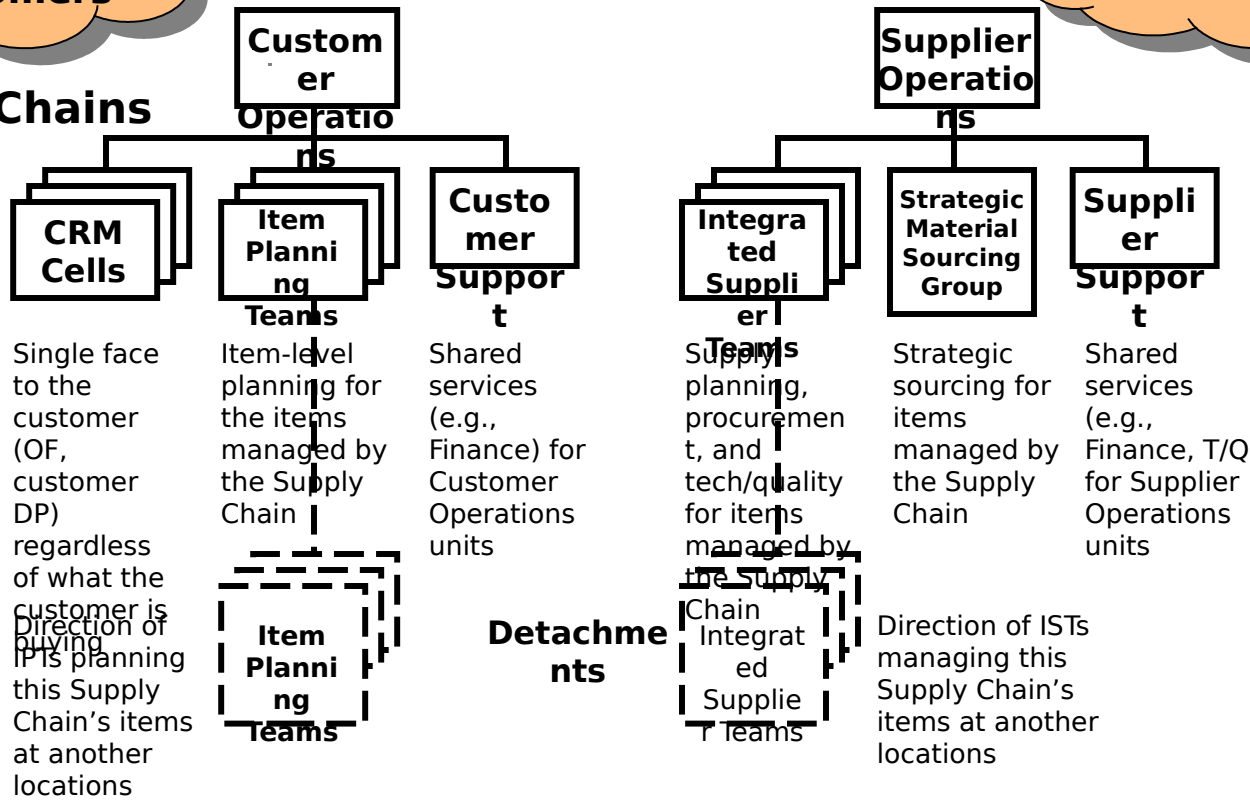
Release 2 Organization Model

Keep focus on customers

Keep focus on suppliers

Seven Supply Chains

- Aviation
- Land
- Maritime
- Construction & Equipment
- Clothing & Textiles
- Medical
- Subsistence



Single face to the customer (OF, customer DP) regardless of what the customer is buying

Item-level planning for the items managed by the Supply Chain

Shared services (e.g., Finance) for Customer Operations units

Supply planning, procurement, and tech/quality for items managed by the Supply Chain

Strategic sourcing for items managed by the Supply Chain

Shared services (e.g., Finance, T/Q for Supplier Operations units

Direction of IPTs planning this Supply Chain's items at another locations

Direction of ISTs managing this Supply Chain's items at another locations

Common Questions/Complaints from Customers

- **Sourcing to Mobile Customers:**
  - **- Simple Manual process Release 2.0**
  - **- Change Default plant of customers as deploy/redeploy**
  - **- Fully automated interface with CRIM in Release 2.2**
- **Suffix/Status Code/A4 documents:**
  - **- Incorrect suffix/status codes provided in Release 1.**
  - **- Corrections in R 2.0 and 2.1.**
- **Required Delivery Dates:**
  - **- Using UMMIPS time standards or Customer RDD**
- **OCONUS Stock Points:**
  - **- DFU Hierarchy of Release 2.0 Accommodates Forward Stockage**
  - **- Release 2.0 will contain retail functionality**
  - **- OCONUS stock points will be viable**
- **Data Feeds to Forecasting Tools**
  - **Working to replace with Demand Data Exchanges**
  - **No DSD like environment**

Update on R 2.0

- Early prognosis is good
- Access/changing roles is an issue
- Need to work on timeliness of Business Warehouse loads
- Yet to run a full planning cycle
- MORE TBD

Summary

- **BSM Concept Demonstration is successful … in production … supporting DLA's mission to war fighter**
- **Release 2.0 is on track**
- **Using lessons learned to improve future releases**
- **Developing a Roll Out Focus**
- **Developing a robust communication strategy and plan for our customers and suppliers**